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## Viewing cable 08LIMA1348, PRESIDENT GARCIA AT TWO YEARS: WEAKENED BUT

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Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

### Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#08LIMA1348**.

Reference ID	Created	Released	Classification	Origin
<a href="#">08LIMA1348</a>	2008-08-14 20:20	2011-08-30 01:44	<a href="#">CONFIDENTIAL</a>	Embassy Lima

Appears in these articles:

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VZCZCXRO1096  
PP RUEHAO RUEHCD RUEHGA RUEHGD RUEHHA RUEHHO RUEHMC RUEHMT RUEHNG  
RUEHNL RUEHQU RUEHRD RUEHRG RUEHRS RUEHTM RUEHVC  
DE RUEHPE #1348/01 2272020  
ZNY CCCCC ZZH  
P 142020Z AUG 08  
FM AMEMBASSY LIMA  
TO RUEHC/SECSTATE WASHDC PRIORITY 9152  
INFO RUEHWL/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS PRIORITY  
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY  
RUMIAAA/USCINCSO MIAMI FL PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 LIMA 001348

SIPDIS

E.O. 12958: DECL: 08/15/2018  
TAGS: [PGOV](#) [PREL](#) [PINR](#) [ECON](#) [PE](#)  
SUBJECT: PRESIDENT GARCIA AT TWO YEARS: WEAKENED BUT  
PRESSING ON

REF: A. LIMA 389  
    B. LIMA 1191  
    C. LIMA ...  
id: 166149  
date: 8/14/2008 20:20  
refid: 08LIMA1348

origin: Embassy Lima  
classification: CONFIDENTIAL  
destination: 08LIMA1081|08LIMA1191|08LIMA389  
header:  
VZCZCXRO1096  
PP RUEHAO RUEHCD RUEHGA RUEHGD RUEHHA RUEHHO RUEHMC RUEHMT RUEHNG  
RUEHNL RUEHQU RUEHRD RUEHRC RUEHRS RUEHTM RUEHVC  
DE RUEHPE #1348/01 2272020  
ZNY CCCCC ZZH  
P 142020Z AUG 08  
FM AMEMBASSY LIMA  
TO RUEHC/SECSTATE WASHDC PRIORITY 9152  
INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS PRIORITY  
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY  
RUMIAAA/USCINCSO MIAMI FL PRIORITY

----- header ends -----

C O N F I D E N T I A L SECTION 01 OF 03 LIMA 001348

SIPDIS

E.O. 12958: DECL: 08/15/2018  
TAGS: PGOV PREL PINR ECON PE  
SUBJECT: PRESIDENT GARCIA AT TWO YEARS: WEAKENED BUT  
PRESSING ON

REF: A. LIMA 389  
1B. LIMA 1191  
1C. LIMA 1081

Classified By: Amb. P Michael McKinley for reasons 1.4b and d.

11. (C) Summary: President Alan Garcia enters the third year of his presidency facing the same principal challenges that have confronted his government since he took office in July 2006: how to turn Peru's strong growth into benefits for the entire population. Peru grew 9% in 2007 and the government has made substantial strides in combating poverty and expanding infrastructure, but polls suggest that much of the population believes it has not gained. Discontent with the uneven distribution of economic wealth has helped fuel numerous protests during the past year, particularly in the unruly southern Andes, and dragged Garcia's popular support below 30%. Garcia has publicly acknowledged that many are unhappy with his government and pledged to do more to ensure that growth benefits the poor. Despite the President's drop in support, the opposition remains in disarray, and Garcia maintains the political strength to implement the policies his government believes will help spread growth evenly. End Summary.

Economy Continues to Boom

12. (U) President Alan Garcia enters the third year of his presidency facing the same principal challenges that have confronted his government since he took office in July 2006: how to turn Peru's strong, borderline spectacular growth into palpable benefits for the entire population. First the good news: according to Peru's government statistical institute INEI, GDP grew 9% in 2007 and is on track to grow about 8% in 2008, which will make six consecutive years of growth over 4%. The mining sector, Peru's principle economic driver, grew 3% in 2007, and 7% through May 2008. Despite this rapid growth and rising world agriculture and fuel prices, the GOP maintained inflation at 5.8% -- measured between August 2007 and July 2008 -- the second-lowest inflation rate in Latin America. At the same time, according to GOP statistics poverty rates dropped from 48.7% in 2005 to 44.5% in 2006 and to 39.3% in 2007.

13. (U) President Garcia highlighted these successes during his July 28th State of the Nation address and set ambitious new goals for the coming year. Garcia emphasized that national production by the end of this year will probably reach \$135 billion, near the \$140 billion goal he had earlier set for 2011. He also said that in his first two years, the GOP had built or repaired 1,100 miles of roads and would more

than double this total in the next twelve months. He promised that by the end of 2008 his government will have invested \$12 billion in infrastructure. Garcia listed a series of statistics about the number of houses built, people taught to read, and water services delivered, and reiterated his pledge to reduce poverty to 30% by the time he leaves office in 2011.

#### Yet Polls Say Populace Not Benefiting Evenly

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**¶4.** (U) Despite Peru's success during President Garcia's first two years, polls suggest that much of the population perceives that it is not benefiting from economic growth. According to a recent national, urban Ipsos-Apoyo poll, 48% of the two poorest sectors of society -- which pollsters call Sectors D & E and compose a majority of the population -- perceive their economic situation as bad or very bad compared to last year. By comparison, only 11% and 20% of the wealthiest two sectors (Sectors A & B) respectively believe their economic situation has worsened (most believe it has improved). Looking to the coming year, only 26% and 29% of Sectors D & E believe their economic situation will improve, compared to 64% and 40% of Sectors A & B, which have benefited most from high growth. General consumer confidence has also slipped to a Garcia-administration low of 43.7%, down from a high of 60.6% shortly after the President took office in July 2006. The main complaint, suggest the polls, is the price of essential food items -- such as bread, rice, and cooking oil -- which is rising at a much higher rate than general inflation.

#### Sporadic Protests Reflect Discontent with Uneven Growth

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**¶5.** (U) Discontent with the unevenly distributed benefits of economic growth has fueled numerous protests during the past year, particularly in the unruly southern Andes. A national agricultural strike in February shut down major roads and led to clashes with police that left several dead protestors in Ayacucho and Arequipa. Later that month, rock-throwing

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protestors shut down rural and urban Cusco and attacked the local airport. Protestors in Puno took to the streets in April against Regional President Hernan Fuentes as well as President Alan Garcia, bringing economic activity to a halt. A national strike called in early July by a major labor union fizzled in Lima, but gathered force in Ayacucho, Cusco, Madre de Dios and Puno. (Refs A & B) According to the Ipsos-Apoyo poll, 67% of Peruvians outside Lima -- including 83% in central and southern regions -- favored the national strike. Statistics from the Human Rights Ombudsman's office (Defensoria del Pueblo) show a rising number of conflicts throughout the country, and an increasing percentage of these conflicts involving protests of mining investments and projects. According to some sources, radical groups across the country such as the communist Patria Roja party and the CGTP labor confederation have a concerted plan to draw on this discontent in order to fan the flames of anti-government and anti-mining protests.

#### Critics Attack Garcia's Decentralization and Anti-Narcotics Efforts

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**¶6.** (U) Another critique lobbed by administration opponents is that the government is ineffectively implementing its decentralization policy and doing little to fight narco-trafficking. On decentralization, many regional leaders complain that central government has rapidly devolved numerous responsibilities without sharing the necessary resources or technical capability to manage the new tasks. The government retorts that it has delivered the necessary resources, but regional governments are unwilling or unable to carry out their newly broadened functions. Leveraging the mechanism of the Association of Regional Presidents (ANGR) to coordinate a coherent policy approach with the central government, regional presidents have sought to gain the

administrative and budgetary tools they need to implement decentralization more effectively.

**17.** (U) On the anti-narcotics fight, both press and expert analysts have begun to criticize what they perceive as government inaction. While accepting the scope and complexity of the challenge and acknowledging that counter-narcotics efforts have improved significantly over those of President Garcia's predecessor -- particularly in the Upper Huallaga Valley coca-production zone -- analysts point out that the government has made little or no effort in the key Ene and Apurimac River Valley (VRAE) production zone.

(Note: Several contacts allege military and police complicity with narcotrafficking in the VRAE. End Note.) Observers also say that prosecutors have made little progress in the major narcotics trafficking case against the Sanchez Paredes family, which many believe has close ties to members of the APRA party.

#### Garcia Continues to Lose Popularity, Pledges to Press On

**18.** (U) As consumer confidence has fallen and protests have increased, President Garcia has fallen in popular opinion polls. The Ipsos-Apoyo poll says Garcia had 26% approval in July, down from 63% after he took office in mid-2006, and 44% in mid-2007. While Garcia maintained 30% approval in Lima and comparatively wealthy northern Peru, his support in the discontented south dropped to 11%. Although Garcia's approval levels have fluctuated somewhat during the past year, the clear trajectory is downward. (Note: Garcia won about 24.3% of the vote in the first round of the 2006 presidential election, and therefore appears to retain his political base. By comparison, Garcia's predecessor Alejandro Toledo had single-digit support through much of his administration. End Note.)

**19.** (U) President Garcia acknowledged during his recent State of the Nation address that many are unhappy with his government and pledged to do more to ensure that growth benefits the entire population, particularly the poor. Garcia also expressed frustration that Peruvians have not given him credit for his accomplishments while blaming him for inflation that was in fact caused by global conditions rather than his administration's economic management. But the President -- who was notoriously obsessed with his poll ratings during his 1980s government -- promised only continued hard work, rather than grand populist initiatives designed to arrest his falling poll numbers. (Note: Some analysts believe that Garcia intentionally sought to contrast his speech this year from his second State of the Nation in 1987, when he announced the nationalization of the banking system. Moreover, a ruling party insider claimed the government was not overly concerned with the downward trajectory in the polls, as long as the macro-economic picture held steady. End Note)

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#### Government Bolstered by Opposition Disarray

**110.** (U) The Garcia Administration's governing prospects during this period of relative public disaffection are strengthened by the opposition's continued disarray. Despite a successful June opposition effort to block constitutional reforms and reported divisions within APRA (Ref C), the governing party rallied in July to recapture the congressional presidency for another one-year term. APRA won the office in part by horse-trading to obtain a handful of votes from the opposition National Unity and Union for Peru parties, causing both opposition groups to splinter into several factions. The ruling party also (reportedly) strengthened its tacit cooperation agreement with former President Alberto Fujimori's party -- Fujimorista Congressman Alejandro Aguinaga is Congress's first vice-president -- as well as the center-right Popular Christian Party and National Solidarity. Among the opposition, only Ollanta Humala's

Peruvian Nationalist Party -- with 23 of 120 deputies --  
retains a cohesive congressional bloc.

Comment: Another Year to Show Results

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¶11. (C) As the political temperature slowly rises, President Garcia probably has another year or so of relative stability to show that he can effectively distribute Peru's growing prosperity. After this year, Garcia will probably face mounting political challenges as both the opposition and groups currently aligned with APRA seek to position themselves for the November 2010 regional elections, and the April 2011 presidential elections.

MCKINLEY

=====CABLE ENDS=====